MINUTES

KANSAS BUSINESS HEALTH POLICY COMMITTEE

February 18, 2005
Kansas Insurance Department
Topeka, Kansas

MEMBERS PRESENT:

Insurance Commissioner Sandy Praeger
Scott Brunner, SRS
Representative Willa DeCastro, Wichita
John Naramore, Lawrence
Representative Sue Storm, Shawnee Mission
Senator Ruth Teichman, Stafford

MEMBERS ABSENT:

Pat Kaufman, Vice-Chair, Shawnee Mission
Howard Fricke, Kansas Department of Commerce

OTHERS PRESENT:

Chad Somers, Benefit Management, Inc., Kansas Health Partners Benefit Association
Bob Day, Director, Governor's Office of Health Planning and Finance
Wendy Dressler, Governor's Office of Health Planning and Finance
David Hornick, Hornick & Associates, KHPBA Insurance Advisor
Matt Jordan, Kansas Department of Commerce
Andrew Allison, Kansas Health Institute
Ken Daniel, Kansas Health Partners Benefit Association
William Kostar, Chair, Kansas Health Partners Benefit Association
Cindy Hermes, Kansas Insurance Department
Barbara Torkelson, Kansas Insurance Department
John Moore, Lt. Governor
Tom Steiner, Mercer Consulting
Mark Whiting, Mercer Consulting
Jon Gruber (via phone), Massachusetts Institute of Technology
Beverly Gossage, Olympic Financial Marketing
Jenifer Telshaw, SRS
Barbara Langner, University of Kansas
George Long, Westwood

Kansas Business Health Policy Committee
February 18, 2005
1:00PM – 3:00PM, Kansas Insurance Department

After introductions of Committee members and guests, Commissioner Praeger welcomed everyone.

William Kostar, Chairman, Kansas Health Partners Benefit Association, briefed the Committee on the Kansas Health Partners Benefit Association (KHPBA). KHPBA was created by the Health Partnership Act which anticipated using Medicaid monies as subsidy for private insurance premiums for small businesses. The KHPBA analyzed data and obtained information from the field and insurance industry about the demographics of the population they were targeting, which is lower income employees of small business. From this data, they concluded that a subsidy of approximately $400 per person per month would be needed. That approach would require substantial sums of money to insure 250,000 uninsured Kansans. The approach the Partnership took was that since they may not be able to fix everything, they should at least try to fix something. One approach was to look at programs currently in place to see if they could enhance 1) awareness and 2) the efficacy with which those programs were administered. The second approach was to look at a non-traditional, lower benefit, lower premium insurance. The result of the second approach is the Allied National Cost Saver Health Plan.

David Hornick, KHPBA Insurance Advisor, updated the Committee on the Cost Saver product. It is a limited benefit health plan endorsed by the KHPBA and marketed through Kansas insurance agents. Allied National, located in Kansas City, Missouri, is the plan administrator. KHPBA began marketing the product in May 2003 and sold an average of one case per week during the first year. After the first year, product sales stalled. When looking at the cause of the benefit plan sales plateau, it was discovered that while new businesses purchased the product, previously enrolled businesses dropped it to enroll in a different benefit plan. Currently, there are 65 Kansas businesses, representing 1,030 covered lives utilizing the Cost Saver Benefit Plan.

Jon Gruber, MIT, and Tom Steiner, Mercer, gave a presentation on uninsured coverage. Mr. Gruber discussed economic modeling to predict policy effects. The inputs for the modeling include Kansas population data, the actuarial cost of the benefit package, and benefit plan details (e.g. value of tax credit). The analysis included the impact of policy on insurance environment (e.g. subsidy rate to insurance) and the impact of change in the insurance environment on individual and firm behavior (e.g. take-up in response to subsidy). The output results are model outputs – change in insurance coverage, cost to government, etc.

An overview of results from Dr. Gruber's economic include:

1) coverage through an employer is more efficient than through the employee;
2) efficiency of coverage decreases as enrollment increases;
3) efficiency of coverage increases the more tightly the product is targeted (i.e. 150% FPL vs. 200% FPL);
4) employers are more price sensitive than employees; and

5) we need to determine the right sharing of costs between employee/employer/state.

Mr. Gruber provided the Committee with two tables illustrating the net decrease in uninsured, Kansas' cost per year, and Kansas' annual cost per newly insured based upon different employee/employer/state cost scenarios for both 150% FPL and 200% FPL.

Next Meeting:

Friday, March 18th, 1:00PM – 3:00PM in the 3rd floor conference room of the Kansas Insurance Department (420 SW 9th Street, Topeka, KS).

You may also check out our website at http://www.ksgovernor.org/healthPlanning/workgroups_hpf.shtml for scheduled meeting dates, times, and locations as well as past meeting agendas, minutes, presentations and handouts.